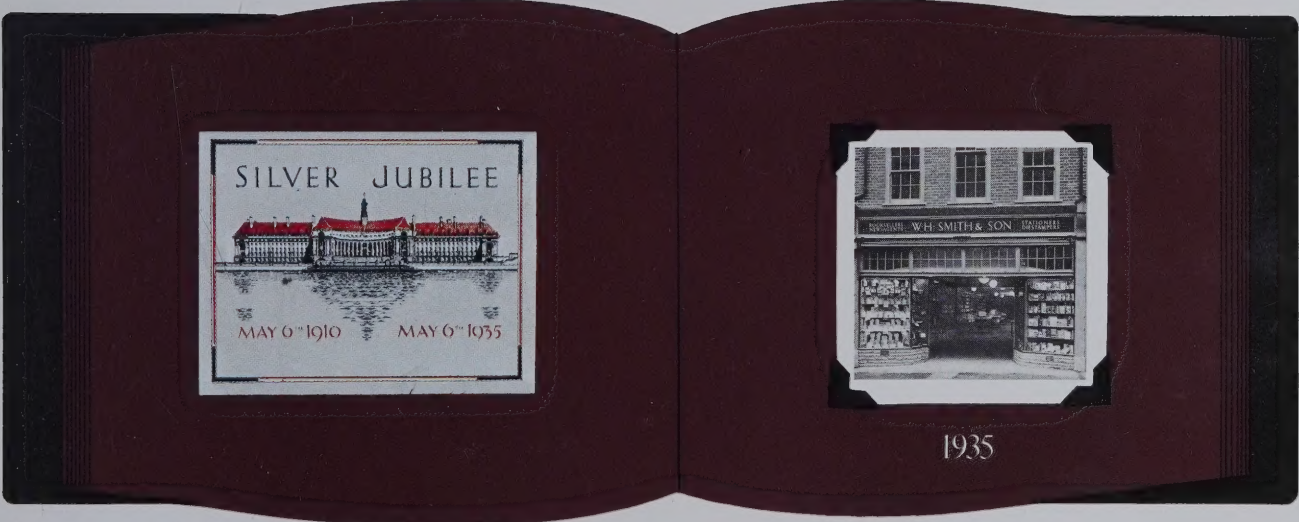


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5 MAY 1977

W.H. Smith & Son (Holdings) Limited
28th Annual Report and Accounts
29th January 1977



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W.H.Smith & Son (Holdings) Limited
Report and Accounts 29th January 1977

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Dividend and interest payments

Ordinary dividends
Interim announced mid November. Paid late January
Final proposed early April. Paid early July

Preference dividends
Paid end March, September

Debenture and Loan stock interest
4¼% Redeemable Debenture stock. Paid early May, November
8% Redeemable Debenture stock
5⅛% Redeemable Unsecured Loan stock
7¾% Redeemable Unsecured Loan stock

Paid early
January, July

Results

Eight months' results announced mid November
Results for the year announced early April

For capital gains tax purposes market values on 6th April 1965 were as follows:

'A' Ordinary shares of £1 each	120p
'B' Ordinary shares of 20p each	25p

Ordinary share market values have been adjusted for scrip issues 30th June 1966 and 25th May 1972 but not for scrip dividend

4·9% (formerly 7%) Cumulative Preference shares of £1 each	102½p
7¾% Redeemable Unsecured Loan stock	£102½
3·15% (formerly 4½%) Cumulative Redeemable Preference shares of £1 each	66p
5⅛% Redeemable Unsecured Loan stock	£66¼
4¼% Redeemable Debenture stock	£71

Twenty-eighth Annual General Meeting

To be held at the Conference and Banqueting Centre of the London International Press Centre, 76 Shoe Lane, London, EC4A 3JB (the entrance to which is in New Street Square at the rear of the main building) on Friday, 27th May 1977 at 11.30 a.m. (formal notice of meeting see page 24).

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies
Results in brief

	1976/77 £'000	1975/76 £'000
Sales to customers outside the Group	<u>324,063</u>	<u>265,776</u>
Operating profit	15,417	11,723
Interest receivable less payable	530	(105)
Group profit	15,947	11,618
Share of losses of associated companies	320	367
 Profit before taxation	 15,627	 11,251
Taxation	8,487	6,440
Extraordinary item—profit	341	—
Profit for the year	7,469	4,801
 Profit retained	 5,802	 3,288
Depreciation	2,733	2,006
Capital expenditure	9,529	9,518
Capital employed	54,367	48,501
 Per £1 Ordinary share		
Ordinary dividends	9·755p	8·868p
Interim paid 25th January 1977	3·09p	2·81p
Final proposed—payable 4th July 1977	6·665p	6·058p
Earnings	42·0p	28·5p
Dividend cover	4·51	3·20
Asset value	282·6p	247·6p

W.H.Smith & Son (Holdings) Limited
Directors

Chairman

Peter Ward Bennett, OBE

Non-executive directors

Peter Baring
William Grantham Lewis Forwood
Viscount Hambleden
Lord Margadale of Islay, TD, JP
Sir Humphrey Povah Treverbian Prideaux, OBE
George William Rowe
Hugh Norman Saunders, OBE, TD, JP
Henry Hamilton van Straubenzee, DSO, OBE

Executive directors

David Alfred Acland	<i>Chief Executive</i>
Peter Hill Bagnall	<i>Deputy Managing Director, Retail</i>
Malcolm David Field	<i>Wholesale Director</i>
Simon Michael Hornby	<i>Managing Director, Retail</i>
William Brian Ian Jamieson, FCA	<i>Finance Director</i>
Kenneth James Morris	<i>Deputy Chief Executive</i>
Julian David Smith	<i>Staff & Training Director</i>

Secretary

F. E. P. Chandler

Registered Office

Strand House,
10, New Fetter Lane,
London EC4A 1AD

Auditors

Touche Ross & Co.,
3, London Wall Buildings,
London EC2M 5PH

Consulting Accountants

Peat, Marwick, Mitchell & Co.,
1, Puddle Dock, Blackfriars,
London EC4V 3PD

Solicitors

Bircham & Co.,
1, Dean Farrar Street,
Westminster SW1H 0DY

Registrars

Baring Brothers & Co. Limited,
Bourne House,
34, Beckenham Road,
Beckenham, Kent BR3 4TU



After 30 years with the Group, during the last five of which he was Chairman of the Holdings Board, Mr Troughton resigned as a Director from 29 January 1977, having reached his retirement age. The Board expressed its regard and affection for Mr Troughton by directing that the statement which follows be recorded in the Minutes:

'The fact that he made a triumphant success of his Chairmanship, the first man not bearing the family name to head the business in its 185 years of existence, speaks

more eloquently than any words of the man and his leadership.

An unrepentant optimist, who regarded people as all-important, he radiated enthusiasm and enjoyment. We shall miss him very much. May good fortune and great happiness be his constant companions in the years to come.'

Each year sees the departure of members of the company, friends and colleagues of many years standing, due to retirements and sometimes death. It was a particular moment of sadness when David Smith died suddenly on the 26th November. In one capacity or another his connection with W.H.Smith spanned a period of 40 years, 25 of them as Chairman when he led the company out onto the public stage after the death of his eldest brother who, at that time, was sole proprietor. His memorial is the business of today.

Lord Margadale and Henry Straubenzee will both be retiring as directors after the Annual General Meeting. John Morrison, MP, as he was for most of the time, came onto the Board in 1948 and over the years his trenchant advice, especially in matters of political and public affairs, was a great help to us all.

Mr Straubenzee had a distinguished career as a soldier before joining us as a manager. His 17 years with the company were marked particularly by his outstanding contributions to all matters relating to human relationships and training.

I have left any reference to my predecessor, Dick Troughton, to the last. We have paid a special tribute to him on page 5. The board minute published beneath his photograph attempts to define, albeit inadequately, his contribution and our sense of regret at his going. In his Chairman's Statement, accompanying the interim results in November 1976, he announced his retirement. As Chairman of the British Council he will continue his distinguished career.

The results for this year belong to his regime. It falls to my lot to comment on them. I do so with admiration.

With an improved overall performance by all the major profit contributors and a good Christmas trading period the final result was very satisfactory. Interest earned was substantial due to our strong cash position. However, our gross and net margins are still below those permitted under the Price Code formula.

In the United Kingdom we have a very good basic business in the wholesaling and retailing of the written word in its many forms. Over the years there have been added related lines of merchandise and activity which have reinforced this business. In addition we trade in comparable merchandise as retailers abroad in Paris, Brussels, and in the Netherlands through our joint venture Sims. In Canada we have an established chain of 39 bookshops. But experience and our continuous corporate planning process show us that just as human beings have life cycles so do products, and we therefore plan and develop complementary activities in new

areas of endeavour. Our expanding group of Craftsmith shops is an example.

With the market opportunities open to us at home and abroad we feel that we are well poised to prosper in the years ahead. We intend to continue with our expansion programme particularly in retailing.

So far as Britain is concerned, which is where the bulk of our profit is made, it would seem that we are in the incongruous state of finding that the shorter the period the more risky it is to make a forecast. 1977 is not going to be an easy year for the distributive trades. Our view is that the Government's Budget proposals marginally improve the prospects for an increase in consumer spending towards the end of the year. Left to our own devices in a reasonable trading climate there is no question that we would make further progress.

We are in favour of consultation in all its manifold forms. The idea that responsible boards of directors are not concerned about the people who work with them or are not constantly conscious of the potential effect of their decisions on the well being of the staff is entirely unrealistic. Tangible results can be recorded in the form of forceful bargaining with staff and union representatives and sensible collaboration with the same bodies over such things as working methods and relationships. Having resolved such matters everyone gets down to some hard work which is what produces good results.

There are some 19,000 of us working part or full time in the business at home or abroad. In the United Kingdom there is hardly a moment within any 24-hour period when somebody is not doing something at a place of work.

We are fortunate that the nature of the business demands a very large element of delegated authority and responsibility which produces pride and satisfaction.

With the change in chairmanship the opportunity has been taken, after considerable thought and consultation over the past two years, to distinguish more clearly the role of management from that of direction. The Chief Executive with his team of executive directors in their managerial role complement the Board's direction of the whole business.

Being the type of company we are, we conform to calls for restraint made in the interest of the respective economies of each country in which we trade. But if this co-operation is to continue as we are told is necessary, particularly in Britain, then fair play and justice must both be seen to be manifest. If protest and disruption are shown to be the effective means of enlarging the pay packet while conformity

brings much less tangible results, is it any wonder that resentment is felt by the reasonable person?

I have no doubt at all that the people who man any enterprise are the life blood of it. A skilled well motivated band of people working to a common end is irreplaceable. We hope that everyone who has contributed to this good result will feel a sense of achievement. The Board of Directors wish me to express their thanks and appreciation for the past year's outstanding performance.

P. W. Bennett
Chairman

20th April 1977

Results

The profit before tax was £15,627,000 for the year to 29th January 1977 compared with £11,251,000 for the previous year. This profit is after providing £1,226,000 (1975/76 £715,000) for special pension fund contributions. Sales to customers during the year increased by 21.9% from £265,776,000 to £324,063,000.

W. H. Smith & Son Ltd.

This is the principal subsidiary whose main activity is selling news, books and stationery through two trading groups—Retail and Wholesale. In addition, it has a Book Club Joint Venture with Doubleday of New York, Bowes & Bowes and Craftsmith.

Retail Group

Retail sales increased by 24.2% on the previous year and at 29th January 1977 the Group operated from 305 shops and 65 main bookstalls. Total selling space at the year end amounted to 1,287,000 square feet, of which 171,000 square feet was added during the year. Retail sales were adversely affected by the very hot summer but were more than made good by the Christmas trading period.

Wholesale Group

Wholesale sales showed an increase of 15.3% but insofar as they related to newspapers, magazines and periodicals the increase was entirely in price as volume is estimated to have fallen between 1% and 2%. Sales lost by industrial disputes at publishing houses cost £1,250,000 against £1,040,000. Wholesale profits improved as a result of the reorganisation carried out over the past few years in London and in the provinces and from encouraging results by WHS Distributors, the book distribution division.

Book Clubs

Book Club Associates had a record year and made a worthwhile contribution to profits. Sales increased by 51.3% and membership by 21.8%. On 28th February 1977 the Joint Venture acquired from Purnell Book Services Limited the net assets of that company's book club business for £587,000.

Bowes & Bowes

Bowes & Bowes, the group of city centre and university bookshops, produced excellent results with turnover increasing by 19.2%.

Craftsmith

Craftsmith is the name given to the business of retailing dress fabrics, knitting yarns and craft. Two further shops, making four in total, were opened during the year and while the project is at an early development stage, the initial results are encouraging.

Advertising Companies

W.H.S. Advertising Ltd., the advertising contract business, acquired Frank Mason & Co. Ltd., the owner of the other 50% share in Smiths & Masons Ltd., on 13th August 1976 for £250,000, making Smiths & Masons Ltd. a fully owned subsidiary. Profits of these companies and the Severn-Smith

Advertising Group of advertising agencies were satisfactory in a year of difficult trading conditions.

Overseas Activities

W.H.Smith Canada Ltd. operates from 39 shops, of which three were added through the year. Turnover in dollars increased by 24.0% and the profits of £357,000 are a record. SIMS, our equal partnership with the Elsevier Publishing Company of Amsterdam in the Netherlands, had five shops at 29th January 1977. The business is still developing and some time will elapse before it moves into profit.

Fixed Assets

Capital expenditure during the year amounted to £9,529,000 of which £6,438,000 was for retail expansion. Freehold and leasehold properties are shown in the Balance Sheet at 1970 values with subsequent additions at cost. In the Board's opinion there has been a substantial appreciation in value since that date. A valuation of all properties is in progress and the result will be reported in next year's Accounts. Freehold and leasehold properties surplus to requirements at the year end had a book value of £966,000.

Inflation Accounting

The Board believes that because of the high rate of inflation it is of fundamental importance that its effect on reported profits should be clearly displayed. In the accounts for the two previous years statements have been drawn up on the Current Purchasing Power (CPP) basis but a CPP statement has not been included in this report, following the publication by the Accounting Standards Committee on 30th November 1976 of an exposure draft based on Current Cost Accounting (CCA).

Pending the issue of an Accounting Standard we have calculated the estimated effect of CCA on the results as follows:—

- (i) The cost of sales adjustment in relation to stock consumed is estimated at a charge of £4,300,000. This figure is approximate and is based partly on internal indices which are in the course of development.
- (ii) The value to the business of freehold and leasehold property on the CCA basis will not be available until the new property valuation is completed. The depreciation charge in valuing fixed assets other than property on the CCA basis, using current depreciation practice is, on a value of £18,763,000, estimated to be in excess of the historical charge by £998,000.
- (iii) The Current Purchasing Power adjustment to net monetary assets, excluding loan capital, is a gain of £3,251,000 which includes £1,672,000 arising on deferred taxation.

Share Capital

On 13th May 1976 the Board granted share options on 173,499 'A' Ordinary shares of £1 each at a price of 337½p. The options were granted in connection with the Employees' S.A.Y.E. share option scheme approved at the Extraordinary General Meeting held on 11th February 1976. The options are not normally exercisable until five years from the date of the grant.

Redeemable Debenture stock

Subsequent to the year end £512,000 4½% Redeemable Debenture stock 1970/85 and £156,000 8% Redeemable Debenture stock 1987/92 was purchased for £328,000 and £106,000 respectively. The stock purchased will be used to satisfy future sinking fund requirements.

Deferred taxation

We have continued to provide for both current and deferred taxation. At 29th January 1977 deferred taxation amounted to £13,925,000 and a breakdown of this figure is given in Note 5 to the Consolidated Balance Sheet on page 15. There is a strong opinion that companies should only set up deferred tax liabilities in circumstances where they expect an actual liability to pay tax; an exposure draft recommending such a course is expected to be issued by the Accounting Standards Committee. From our estimates we believe that the total figure will be transferred to retained earnings.

The Monopolies and Mergers Commission

The Director General of Fair Trading has referred to the Monopolies and Mergers Commission the matter of the possible existence of a monopoly situation in relation to the wholesale supply of national newspapers and periodicals. We are co-operating fully with the Commission in their inquiry and have provided them with extensive information. It is understood the Commission will report later this year.

Pension Fund

The special pension fund contribution of £1,226,000 (1975/76 £715,000) was made to fund pension increases of 2½% (in addition to 5% funded last year) from 1st April 1976 and 5% from 1st April 1977.

A valuation of WHS Pension Trust carried out by Messrs. Bacon & Woodrow, consulting actuaries as at 31st March 1976 disclosed a small surplus.

Consultations have been completed with representatives of the staff and all have accepted the recommendation to participate in the state earnings-related pension scheme.

Additional Information

On pages 21 to 23 is further information which is required to be disclosed under the Companies Act 1967 and is deemed to be part of this report. The information includes or relates to the following:—

Proportions of turnover and contribution to profit of principal activities.

Particulars of exports.

Charitable and political contributions.

Staff—Numbers employed and their aggregate remuneration.

Directors' interests in the Company's shares, debentures and unsecured loan stock.

Contracts in which Directors have or have had material interests.

The Company's shareholders.

Directors

The names of the Directors are shown on page 4.

It is with deep regret that the Board records the death of The Hon. D. J. Smith, C.B.E., on 26th November 1976.

Mr. C. H. W. Troughton retired on 29th January 1977 and Lord Margadale and Mr. H. H. van Straubenzee have notified the Board of their intention to retire after the Annual General Meeting on 27th May 1977.

Mr. K. J. Morris, Mr. S. M. Hornby, Mr. P. H. Bagnall, Mr. M. D. Field and Mr. J. D. Smith retire by rotation and, being eligible, offer themselves for re-election.

Audit Committee

The Directors have formed an Audit Committee, consisting of three non-executive directors, Mr. W. G. L. Forwood (Chairman), Mr. P. Baring and Mr. H. N. Saunders and two executive directors, Mr. D. A. Acland and Mr. W. B. I. Jamieson. The purpose of the Committee is to support all efforts to improve financial control and to provide better communication between the board of Directors and the Auditors.

Dividend

It is recommended that a final dividend of 6·665p per share of £1 (6·665%) be paid in respect of the year to 29th January 1977, making a total dividend for the year of 9·755p (9·755%), which is the maximum permitted.

If the above recommendation is approved at the Annual General Meeting, warrants for the dividend on the 'A' and 'B' Ordinary shares will be paid on 4th July 1977 to those members whose names appear on the register at the close of business on 13th May 1977.

In the event of the conditional part of the Budget proposal being enacted (a reduction of the basic rate of Income Tax from 35% to 33%) it is the Board's intention to declare a deferred final dividend of 0·205p per £1 Ordinary Share (0·205%) out of the profits of 1976/77 to maintain the equivalent gross distribution permitted for that year under prevailing government dividend restraint.

Appropriate resolutions to give effect to the foregoing will be proposed at the Annual General Meeting.

By Order of the Board

F. E. P. Chandler
Secretary

20th April 1977

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies

Five year record

	1976/7 £'000	1975/6 £'000	1974/5 £'000	1973/4 £'000	1972/3 £'000
Group turnover and profits					
Turnover (outside the group)	324,063	265,776	217,266	167,401	154,226
Profits					
Operating profit	15,417	11,723	9,295	10,109	10,010
Interest receivable less payable	530	(105)	145	670	100
Group profit	15,947	11,618	9,440	10,779	10,110
Share of losses of associated companies	(320)	(367)	(174)	—	—
Profit before taxation	15,627	11,251	9,266	10,779	10,110
Taxation	(8,487)	(6,440)	(5,094)	(5,106)	(4,018)
Outside shareholders' interests	(12)	(10)	(2)	(12)	(9)
Profit after taxation	7,128	4,801	4,170	5,661	6,083
Extraordinary item	341	—	—	—	—
Profit for the year	7,469	4,801	4,170	5,661	6,083
Dividends net					
Preference	(16)	(16)	(16)	(15)	(14)
Ordinary	(1,651)	(1,497)	(1,395)	(1,254)	(1,182)
Income tax thereon	—	—	—	(2)	(226)
Retained	5,802	3,288	2,759	4,390	4,661
Summary of balance sheets					
Fixed assets	52,528	46,049	39,105	33,608	31,578
Deferred proceeds from sale of property	—	—	3,780	3,780	—
Net current assets	17,161	12,427	10,283	7,686	8,883
Deferred liabilities	(15,322)	(9,975)	(8,275)	(2,892)	(2,608)
Net assets	54,367	48,501	44,893	42,182	37,853
Financed by					
Ordinary capital	16,924	16,924	16,807	16,740	16,740
Reserves	30,907	24,975	21,398	18,623	14,233
Ordinary shareholders' interest	47,831	41,899	38,205	35,363	30,973
Preference capital	430	430	430	430	430
Outside shareholders' interest	36	23	18	22	19
Debenture and loan stock	6,070	6,149	6,240	6,367	6,431
Total capital employed	54,367	48,501	44,893	42,182	37,853
Statistics					
Per £1 ordinary share (adjusted for scrip issues)					
Asset value	282·6p	247·6p	227·3p	211·2p	185·0p
Earnings	42·0p	28·5p	24·7p	33·6p	36·1p
Dividend					
Actual (Note 1)	9·755p	8·868p	8·31p	7·49175p	5·016p
Gross equivalent	15·008p	13·643p	12·663p	11·025p	10·5p
Dividend cover	4·51	3·20	2·97	4·48	3·44
Return on capital employed (Note 2)	23·1%	20·0%	18·2%	24·8%	26·0%

Notes

1 Dividends payable after 5th April 1973 are subject to the imputation tax system, and are declared and payable without deduction of income tax.

2 The return is based on capital employed at the end of the year, increased by deferred liabilities. Profit is before taxation, debenture and loan interest.

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies

Statement of source and application of funds

	1st February 1976 to 29th January 1977 £'000	£'000	2nd February 1975 to 31st January 1976 £'000	£'000
Source of Funds				
Profit before tax and extraordinary items less minority interests		15,615		11,241
Extraordinary items		341		—
Sales of property, plant etc		4,489		954
		<u>20,445</u>		<u>12,195</u>
Adjustment for items not involving the movement of funds				
Minority interest in the retained profits of the year		13		5
Depreciation		2,733		2,006
Losses in associated companies		320		367
Total generated from operations		23,511		14,573
Funds from other sources				
Shares issued as purchase consideration for property purchase		—		406
		<u>23,511</u>		<u>14,979</u>
Application of funds				
Dividends paid		1,565		1,800
Tax paid		5,078		1,297
Purchase of fixed assets		9,529		9,518
Investment in associated companies		378		748
Debentures redeemed		79		91
Increase in stocks	7,533		1,890	
Increase in debtors	3,007		565	
(Increase) in creditors	(8,629)		(2,909)	
		<u>1,911</u>		<u>(454)</u>
Increase/(decrease) in cash	(175)		182	
Increase in short term investments	5,146		1,797	
		<u>4,971</u>		<u>1,979</u>
		23,511		14,979

The proceeds of the sale of the old Strand House amounting to £3,780,000 have been excluded from debtors and included in sales of property, plant, etc.

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies
Consolidated Profit and Loss Account

	1st February 1976 to 29th January 1977 £'000		2nd February 1977 to 31st January 1978 £'000	
Sales to customers outside the Group (excluding VAT and delivery expenses recovered)		324,063		265,777
Operating profit	15,417		11,723	
Interest receivable less payable (Note 1)	530		(105)	
		<hr/>		<hr/>
Group profit		15,947		11,618
Less: Share of losses of associated companies		320		36
		<hr/>		<hr/>
Profit before taxation (Note 2)		15,627		11,252
Less: Taxation (Note 3)	8,487		6,440	
Outside shareholders' interests	12		10	
		<hr/>		<hr/>
		8,499		6,452
		<hr/>		<hr/>
Profit after taxation		7,128		4,800
Extraordinary item (Note 4)		341		-
		<hr/>		<hr/>
Profit for the year		7,469		4,800
Less: Dividends on Preference shares		16		1
		<hr/>		<hr/>
Profit for the year attributable to ordinary shareholders of W.H.Smith & Son (Holdings) Ltd. (of which £4,516,000 1975/6 £2,874,000 is dealt with in the accounts of that company)		7,453		4,799
Less: Dividends on 'A' and 'B' Ordinary shares				
Interim of 3.09p per share of £1 (3.09%)	523		472	
Final of 6.665p per share of £1 (6.665%)	1,128		1,025	
		<hr/>		<hr/>
		1,651		1,497
		<hr/>		<hr/>
Profit transferred to retained earnings		5,802		3,282
		<hr/>		<hr/>
Earnings per holding of £1 Ordinary share				
before extraordinary item		42.0p		28.5p
after extraordinary item		44.0p		28.5p

The calculation of earnings per share is based on earnings before extraordinary item of £7,112,000 1975/6 £4,785,000 after extraordinary item of £7,453,000 1975/6 £4,785,000 and £16,923,786 Ordinary share capital in issue during the period weighted on a time basis.

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies
Notes on Consolidated Profit and Loss Account

	£'000			1976/7 £'000		£'000		1975/6 £'000
1 Interest receivable less payable								
Interest on bank deposits				1,039				388
Interest on government securities				9				—
				<u>1,048</u>				<u>388</u>
Less: Interest on Debenture stock	195					200		
Interest on Unsecured Loan stock	178					179		
Interest on bank overdrafts and loans	145					95		
Interest on other loans	—			518		1.9		493
				<u>530</u>				<u>(105)</u>
2 Profit before taxation is stated after								
(a) charging								
Special pension fund contributions				1,226				715
Depreciation				2,733				2,006
Goodwills purchased †				272				98
Rents paid				3,678				2,749
Audit fees and expenses (Parent Company £5,000 1975/6 £4,000)				102				72
Hire of plant and machinery				854				851
Emoluments of the Directors of W.H.Smith & Son (Holdings) Ltd.								
Fees	40					40		
Other emoluments	182					180		
Pension contributions	87					106		
Pensions paid to past Directors as former executives	17					16		
Total emoluments				326				342
		Net after tax *				Net after tax *		
		£	Number	Number		£	Number	Number
Chairman £34,000 (1975/6 £33,000)	11,800							
Other Directors :—					Other Directors :—			
£30,001—£32,500	11,500	1	1		£17,501—£20,000	9,300	1	1
£25,001—£27,500	10,700	1	—		£15,001—£17,500	8,700	3	4
£22,501—£25,000	10,300	1	1		£ 2,501—£ 5,000	3,600	2	2
£20,001—£22,500	9,800	1	1		£ 0—£ 2,500	2,000	7	7
Other senior employees in the U.K.								
£15,001—£17,500	8,700	1	1					
£12,501—£15,000	8,000	7	4					
£10,001—£12,500	7,200	24	10					
*The net after tax emoluments are based on the U.K. tax payable at the upper limit of each range of the 1976/7 tax rates on the assumption that the recipient is married with no other allowances and has no other source of income.								
†Goodwills purchased and premiums on shares are written off in year of acquisition.								
				1976/7 £'000				1975/6 £'000
(b) crediting								
Rents receivable				244				216
Net gain on foreign currency				141				—
Excess of sale proceeds of properties over book values				410				187
Income from quoted investments				9				—
Income from unquoted investments				4				3
Profit on redemption of Debenture stocks				32				41
3 Taxation								
Corporation tax on the profit of the year 52 per cent				8,311				6,267
Overseas taxation				247				188
				<u>8,558</u>				<u>6,455</u>
Less: Double taxation relief				71				15
				<u>8,487</u>				<u>6,440</u>
The chargeable gain on the disposal of property has been deferred under Section 33 of the Finance Act 1965.								
4 Extraordinary item								
Compensation for loss of property rights				341				—

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies

Consolidated Balance Sheet

	29th January 1977	31st January 1977
	£'000	£'000
Capital employed		
Issued share capital of Holding Company (Page 16)	17,354	17,354
Reserves		
Share premium account (Page 17 Note 1)	305	305
Retained earnings (Note 2)	30,602	24,672
Outside shareholders' interest	36	2
Redeemable Debenture stock (secured) of Holding Company (Page 16)	3,000	3,070
Redeemable Loan stock (unsecured) of Holding Company (Page 16)	3,070	3,070
	54,367	48,500
Net assets		
Current assets		
Stock at lower of cost and net realisable value	29,429	21,899
Debtors (Note 3)	15,660	16,430
Short term investments (Note 4)	14,300	9,150
Bank balances and cash	2,189	2,360
	61,578	49,840
Less: Current liabilities		
Creditors	39,431	31,287
Corporation tax due 1st January 1978	2,753	4,148
Other taxation	208	144
Accrued dividend on Preference shares	5	6
Final dividend on ordinary shares	1,128	1,025
Advance corporation tax on dividends	892	810
	44,417	37,420
Net current assets	17,161	12,420
Fixed assets		
Properties, plant, etc. (Page 18)	51,967	45,540
Interest in net assets of associated companies	514	450
Unquoted trade investments at Directors' valuation	47	40
	69,689	58,470
Less: Deferred liabilities		
Deferred taxation (Note 5)	13,925	9,267
Others	1,397	708
	15,322	9,975
	54,367	48,500
P. W. Bennett	} <i>Directors</i>	
D. A. Acland		

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies
Notes on Consolidated Balance Sheet

			1977 £'000	1976 £'000
1 Accounting policies				
Accounts are consolidated for all companies in the group at the end of the year for the period for which they were members of the group. The principal subsidiaries are listed on page 20. Other policies are included under appropriate headings in the notes to these accounts.				
2 Retained earnings	Realised	Unrealised	Total	Total
Balance at beginning of year	24,670	—	24,670	21,382
Profit for the year retained	5,802	130	5,932	3,288
	<u>30,472</u>	<u>130</u>	<u>30,602</u>	<u>24,670</u>
Unrealised retained earnings represent the net gain on the conversion of overseas fixed assets less losses on related long-term currency borrowings.				
3 Debtors				
Debtors at 31st January 1976 included £3,780,000 being the proceeds due from the sale of the old Strand House property.				
4 Short term investments				
Bank deposits			12,916	9,154
Short dated government securities (market value £1,414,000)			1,384	—
			<u>14,300</u>	<u>9,154</u>
5 Deferred taxation				
The amount set aside for the contingent liability to corporation tax on capital gains in the event of the freehold and leasehold properties being sold at their revalued figure.				
			2,000	2,000
Deferred liability arising from the excess of capital allowances over depreciation which will be released to profit and loss account over the lives of the respective assets at the rates ruling at the time of acquisition				
			5,604	3,673
Stock appreciation relief			6,888	4,103
			<u>14,492</u>	<u>9,776</u>
Equalisation of tax on accrued charges and income			43	46
			<u>14,535</u>	<u>9,822</u>
Less: Advance corporation tax on dividends			610	555
			<u>13,925</u>	<u>9,267</u>
6 Capital commitments				
The estimated amount of capital expenditure authorised by the Board but not provided for in the accounts				
			2,775	5,380
Contracts already placed included in the above			666	1,455
7 Contingent liabilities				
The parent company has guaranteed the performance of certain leases for hire of plant entered into by subsidiary companies				
			519	727
The estimated additional group liabilities under guarantees given in the normal course of business				
			830	1,001
8 Foreign currencies				
Current assets and liabilities have been converted into sterling at the rates of exchange current at the balance sheet date. Fixed assets have been converted at the closing rate for the first time. This has given rise to a prior year adjustment of £176,000 (£72,000 of which has been credited to profit for the year and £104,000 to unrealised retained earnings).				

W.H.Smith & Son (Holdings) Limited

Balance Sheet

	29th January 1977		31st January 1978	
	£'000	£'000	£'000	£'000
Capital employed				
Share capital	Authorised	Issued and fully paid	Authorised	Issued and fully paid
169,072 – 4·9% (formerly 7%) Cumulative Preference shares of £1 each	169	169	169	169
260,620 – 3·15% (formerly 4½%) Cumulative Redeemable Preference shares of £1 each (Note 3)	261	261	261	261
15,500,000 'A' Ordinary shares of £1 each (Note 1)	15,500	14,140	15,500	14,140
14,500,000 'B' Ordinary shares of 20p each	2,900	2,784	2,900	2,784
	<u>18,830</u>	<u>17,354</u>	<u>18,830</u>	<u>17,354</u>
Reserves				
Share premium account (Note 1)	305		305	
Retained earnings (Note 2)	<u>10,524</u>		<u>7,659</u>	
		10,829		7,960
Redeemable Debenture stock (secured) (Note 3)				
4¼ per cent – 1970/85	1,211		1,263	
8 per cent – 1987/92	<u>1,789</u>		<u>1,816</u>	
		3,000		3,079
Redeemable Loan stock (unsecured) (Note 3)				
7¾ per cent – 1988/93	831		831	
5½ per cent	<u>2,239</u>		<u>2,239</u>	
		3,070		3,079
		<u>34,253</u>		<u>31,462</u>
Net assets				
Current assets				
Amounts owing by subsidiary companies		140		2,720
Debtors		198		9
Short term investments (note 4)		12,763		6,920
Bank balance		<u>43</u>		
		13,144		9,749
Less: Current liabilities				
Creditors	148		150	
Corporation tax due 1st January 1978	77		—	
Other taxation	—		31	
Amounts owing to subsidiary companies	527		—	
Accrued dividend on Preference shares	5		6	
Final dividend on Ordinary shares	1,128		1,025	
Advance corporation tax on dividends	<u>892</u>		<u>810</u>	
		2,777		2,020
Net current assets		<u>10,367</u>		<u>7,729</u>
Fixed assets				
Subsidiary companies (Note 5)		<u>23,886</u>		<u>23,733</u>
		<u>34,253</u>		<u>31,462</u>
P. W. Bennett	} <i>Directors</i>			
D. A. Acland				

W.H.Smith & Son (Holdings) Limited

Notes on Balance Sheet

		1977 £'000		1976 £'000
1 Share premium account				
Balance at beginning of year		305		16
Premium on placing of 116,973 'A' Ordinary shares of £1 each as consideration for the purchase of property		—		289
		<u>305</u>		<u>305</u>
2 Retained earnings				
Balance at beginning of year		7,659		6,282
Profit for year retained		2,865		1,377
		<u>10,524</u>		<u>7,659</u>
3 Redemption: Preference shares, Debentures and Loan stock				
	In voluntary liquidation	Three months' notice by the company	By tender or in the market at any time	By operation of annual sinking fund
3·15% (formerly 4½%) Preference shares	Prior to 31.12.1984 105p	Prior to 31.12.1984 105p		
	After 31.12.1984 at par	After 31.12.1984 at par		
4¼% Debenture stock	Prior to 1.5.1980 101	Prior to 1.5.1980 101		£30,000 p.a. Operates by purchase at or under par, or by drawings at par.
	After 1.5.1980 at par	After 1.5.1980 at par		
8% Debenture stock	At par	From 6.1.1987 at par	Price not exceeding 110 (May also be made by private treaty)	£20,000 p.a. Operates by purchase at or under par, or by drawings at par.
7¾% Loan stock	At par	From 6.7.1988 at par	Tenders available to all stockholders—only lowest price to be accepted	
5½% Loan stock	Prior to 31.12.1984 105	Prior to 31.12.1984 105	Tenders available to all stockholders—only lowest price to be accepted	
	After 31.12.1984 at par	After 31.12.1984 at par		
		£'000	£'000	£'000
4 Short term investments				
Bank deposits		11,379		6,927
Short dated government securities (market value £1,414,000)		1,384		—
		<u>12,763</u>		<u>6,927</u>
5 Subsidiary companies				
Investment in W.H.Smith & Son Limited:				
The issued share capital at cost (£6,000,000) as increased by £9,000,000 in respect of reserves		15,000		15,000
Loan		4,100		4,900
		<u>19,100</u>		<u>19,900</u>
Investment in other subsidiary companies:				
Shares at cost	143		143	
Loans	4,643		3,693	
	<u>4,786</u>		<u>3,836</u>	
		<u>23,886</u>		<u>23,736</u>
6 Contingent liabilities				
The Company has guaranteed the performance of certain contracts entered into by subsidiary companies		603		836

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies
Properties, plant etc. table of movements

	Total £'000	Freehold properties £'000	Leasehold properties		Shop fronts and structures £'000	Plant machinery motor vehicles and equipment £'000	Furniture fixtures and fittings £'000
			Long-term £'000	Short-term £'000			
Cost, etc.							
31st January 1976							
At valuation on 31st January 1970	16,841	13,220	1,806	1,815	—	—	—
At cost	38,293	11,502	1,770	7,943	1,588	4,606	10,880
Exchange adjustments	764	37	—	382	—	82	20
Capital expenditure in year	9,529	2,254	229	2,747	219	1,390	2,690
	65,427	27,013	3,805	12,887	1,807	6,078	13,890
Less: Sales, etc. in year							
At valuation on 31st January 1970	570	483	1	86	—	—	—
At cost	717	31	—	13	—	342	33
29th January 1977	64,140	26,499	3,804	12,788	1,807	5,736	13,500
31st January 1976	55,134	24,722	3,576	9,758	1,588	4,606	10,880
Aggregate depreciation							
31st January 1976	9,588	—	218	1,293	719	2,175	5,183
Exchange adjustments	430	—	—	232	—	55	14
Depreciation charged in year	2,733	—	48	545	262	878	1,000
	12,751	—	266	2,070	981	3,108	6,397
Less: Depreciation withdrawn on sales, etc. in year	578	—	—	49	11	233	20
29th January 1977	12,173	—	266	2,021	970	2,875	6,047
31st January 1976	9,588	—	218	1,293	719	2,175	5,183
Written down value							
At valuation on 31st January 1970	15,507	12,743	1,604	1,160	—	—	—
At cost	36,460	13,756	1,934	9,607	837	2,861	7,440
29th January 1977	51,967	26,499	3,538	10,767	837	2,861	7,440
31st January 1976	45,546	24,722	3,358	8,465	869	2,431	5,700

Freehold and leasehold properties including shop fronts and structures

Depreciation is not provided on freehold properties as the Directors do not consider this is necessary.
 Leasehold properties short-term have less than 50 years to run from 29th January 1977.
 Leasehold properties are amortised over the period of the leases.
 Shop fronts and structures are depreciated over ten and five years respectively by equal instalments except when the lease is for a shorter period.

Plant, etc., and furniture, fixtures and fittings

Depreciation is provided by equal instalments over the anticipated lives of the assets at the following rates :
 Plant, machinery and equipment 12½%, motor vehicles and office appliances 20%, furniture, fixtures and fittings 10%.

W.H.Smith & Son (Holdings) Limited

Report of the Auditors

To members of W.H.Smith & Son (Holdings) Limited

In our opinion the accounts and notes on pages 11 to 18 and 20, which have been prepared under the historical cost convention including the revaluation of certain properties, comply with the Companies Acts 1948 and 1967 and, so far as concerns members of the Company, give a true and fair view of the state of affairs at 29th January 1977 of the Company and of the Group and of the profit and source and application of funds of the Group for the year ended on that date.

Touche Ross & Co.
Chartered Accountants

3, London Wall Buildings,
London EC2M 5PH
20th April 1977

W.H.Smith & Son (Holdings) Limited
Principal subsidiary companies of the group

	Activity	Class of share	Group interest %	Country where incorporated and operating abroad
W.H.Smith & Son Limited	Newsagents, booksellers and stationers	Ordinary	100	
W.H.Smith & Son International Limited	Holding company	Ordinary	100	
W.H.Smith Canada Limited	Newsagents, booksellers and stationers	Common	98	Canada
W.H.Smith & Son Nederland B.V.	Holding company	Ordinary	100	Holland
W.H.Smith & Son (Belgium) S.A.	Newsagents, booksellers and stationers	Ordinary	100	Belgium
W.H.Smith & Son S.A.	Newsagents, booksellers and stationers	Ordinary	100	France
Hambleton Estates Limited	Holding company	Ordinary	100	
W.H.S. Advertising Limited	Advertising contractors	Ordinary	100	
Smiths & Masons Limited	Advertising contractors	Ordinary	100	
Severn-Smith Advertising Limited	Advertising agents	Ordinary	100	
W.H.S. Transport Limited	Road haulage contractors	Ordinary	100	

Proportions of turnover and contribution to profit of principal activities

Principal activities	£'000	Proportion of total turnover %	£'000	Capital employed %	Contribution to profit before taxation £'000	%
Newsagents, booksellers and stationers—						
Wholesaling	*170,575	49.0	53,829	99.0	15,419	98.6
Retailing	170,555	49.0				
Road haulage contracting	2,197	0.6	157	0.3	105	0.7
Advertising	4,669	1.4	381	0.7	103	0.7
	<u>347,996</u>	<u>100.0</u>	<u>54,367</u>	<u>100.0</u>	<u>15,627</u>	<u>100.0</u>
Associated companies turnover	23,933					
	<u>324,063</u>					

*The wholesaling figure includes wholesale news supplied to group outlets.

Geographical analysis	£'000	Proportion of total turnover %	£'000	Capital employed %	Contribution to profit before taxation £'000	%
United Kingdom	313,952	96.2	50,699	93.3	15,576	99.7
Europe	3,333	1.0	1,376	2.5	(306)	(2.0)
Canada	9,008	2.8	2,292	4.2	357	2.3
	<u>326,293</u>	<u>100.0</u>	<u>54,367</u>	<u>100.0</u>	<u>15,627</u>	<u>100.0</u>
Associated companies turnover	2,230					
	<u>324,063</u>					

Particulars of exports

The value of goods exported by the Group from the United Kingdom during the year was £790,000.

Charitable and political contributions

Charitable contributions during the year totalled £52,000. There were no political contributions.

Staff

The average number of persons employed by the Group in the United Kingdom each week during the year has been 18,710. The aggregate remuneration paid or payable to United Kingdom employees in respect of the year ended 29th January 1977 amounted to £34,393,000.

	Total	Male	Female	Retailing %	Wholesaling %	Other %
United Kingdom						
Full-time	10,942	5,527	5,415	52.1	30.1	17.8
8-29 hours per week	7,408	1,246	6,162	89.7	9.3	1.0
Less than 8 hours per week	360	112	248	81.1	18.6	0.3
	<u>18,710</u>	<u>6,885</u>	<u>11,825</u>	<u>67.6</u>	<u>21.6</u>	<u>10.8</u>
Europe	83	25	58	100.0	—	—
Canada	415	90	325	83.6	4.3	12.1
	<u>19,208</u>	<u>7,000</u>	<u>12,208</u>	<u>68.1</u>	<u>21.1</u>	<u>10.8</u>

Staff employed by associated companies are excluded

W.H.Smith & Son (Holdings) Limited

Appendix to Directors' Report continued

Directors' interests in shares, debentures and unsecured loan stock

The interests of each Director, as recorded in the Company's Register of Directors' Share Interests as at 29th January 1977 are shown below. Comparative figures as at 31st January

1976 or at date of appointment, if later, are shown in orange. The figures in brackets show trust holdings where a Director or his family are beneficiaries and he or other Directors are trustees: these amounts are therefore also included in the trustee holdings.

	'A' Ordinary shares		'B' Ordinary shares		Other holdings*	
	29.1.77	31.1.76	29.1.77	31.1.76	29.1.77	31.1.76
<i>Beneficially</i>						
D. A. Acland	146	146	34,500	34,500	—	—
P. H. Bagnall	63	63	10,000	10,000	—	—
P. Baring	204	204	—	—	—	—
P. W. Bennett	757	757	65,102	65,102	—	—
M. D. Field	42	42	5,000	5,000	—	—
W. G. L. Forwood	1,000	1,000	—	—	—	—
Viscount Hambleden	—	—	641,765	320,315	—	—
	(96)	(96)	(3,471,492)	(3,841,162)	—	—
S. M. Hornby	1,400	21,850	131,124	111,475	—	—
W. B. I. Jamieson	42	42	10,000	10,000	—	—
Lord Margadale	—	—	115,000	115,000	—	—
	—	—	—	—	—	(b) (1,025)
K. J. Morris	258	258	22,785	22,785	—	—
Sir Humphrey Prideaux	382	382	—	—	—	—
G. W. Rowe	315	315	74,410	74,410	—	—
H. N. Saunders	—	—	—	—	(a) 100	(a) 100
J. D. Smith	93	93	22,000	22,000	—	—
H. H. van Straubenzee	2,575	3,395	33,750	33,750	—	—
<i>As Trustees</i>						
P. W. Bennett, D. A. Acland,	—	—	75,521	75,521	(b) 20,000	(b) 20,000
K. J. Morris, S. M. Hornby,	—	—	—	—	—	—
P. H. Bagnall, M. D. Field,	—	—	—	—	—	—
J. D. Smith and W. B. I. Jamieson	—	—	—	—	—	—
D. A. Acland	1,300	1,300	1,945	1,945	(b) 3,738	(b) 3,738
W. G. L. Forwood	—	—	249,010	249,010	—	—
Viscount Hambleden	28,976	29,581	5,764,947	5,842,997	(c) 2,533	(c) 2,533
S. M. Hornby	16,650	18,767	—	—	—	—
Lord Margadale	—	—	—	—	(d) 7,500	(b) 1,025
	—	—	—	—	—	(d) 7,500
J. D. Smith	6,683	6,651	21,656	6,124	(b) 13,502	(b) 13,502
	—	—	—	—	(c) 2,811	(c) 2,811

- *(a) 3.15% Cumulative Redeemable Preference Shares.
- (b) 4½% Redeemable Debenture Stock 1970/85
- (c) 7½% Redeemable Unsecured Loan Stock 1988/93
- (d) 5½% Redeemable Unsecured Loan Stock

Between 30th January 1977 and 6th April 1977, the Company has been notified that:—

Mr. H. H. van Straubenzee acquired a beneficial interest in a further 1,000 'A' Ordinary shares.

Viscount Hambleden's interests as a Trustee in the 'B' Ordinary shares have been reduced by 15,000 and Viscount Hambleden's beneficial interests in the 'B' Ordinary shares have been reduced by 5,500.

The interest of Messrs P. W. Bennett, D. A. Acland, K. J. Morris, S. M. Hornby, P. H. Bagnall, M. D. Field, J. D. Smith and W. B. I. Jamieson as trustees in the 4½% Redeemable Debenture stock 1970/85 has been sold.

Directors' interests in shares, debentures and unsecured loan stock continued

The S.A.Y.E. share option scheme, which was approved at the Extraordinary General Meeting held on 11th February 1976, gives to certain directors the opportunity to acquire a benefit in the form of an option to subscribe for 'A' Ordinary shares of the Company. During 1976 Mr. D. A. Acland acquired an option to purchase 438 shares at 337½p.

Contracts in which the Directors have or have had material interests

None of the Directors had a beneficial interest in any contract to which the parent Company or a subsidiary was a party during the financial year.

The Company's Shareholders

An analysis at 29th January 1977 showed the spread of Ordinary shareholdings to be:—

Holder	Shares		Shares		Number of shareholdings	
	'A'	%	'B'	%	'A'	'B'
Banks and Nominees	4,071,712	28.80	974,307	7.00	207	29
Insurance Companies	3,242,077	22.93	131,955	0.95	49	5
Investment Trusts	949,367	6.71	251,705	1.81	28	4
Pension Funds	1,101,458	7.79	1,260,900	9.06	47	3
Charities and Local Authorities	510,825	3.61	20,457	0.15	38	3
Limited Companies	466,656	3.30	79,979	0.57	89	17
Private Holders	3,797,316	26.86	11,202,572	80.46	6,825	3,206
	<u>14,139,411</u>	<u>100.00</u>	<u>13,921,875</u>	<u>100.00</u>	<u>7,283</u>	<u>3,267</u>

So far as the Company is aware, no person other than a Director held 10% or more of the nominal value of the issued share capital of the Company carrying unrestricted voting rights, as at 6th April 1977.

The Company is not a close company.

Notice is hereby given that the Twenty-Eighth Annual General Meeting of W.H.Smith & Son (Holdings) Limited will be held at the Conference and Banqueting Centre of the London International Press Centre, 76, Shoe Lane, London, EC4A 3JB (the entrance to which is in New Street Square at the rear of the main building) on Friday, 27th May 1977 at 11.30 a.m. for the following purposes:

To receive the Directors' Report and Statement of Accounts for the year ended 29th January 1977 and the Auditors' Report thereon (Resolution 1)

To declare a final dividend (Resolution 2)

To declare a conditional deferred final dividend (Resolution 3)

To elect Directors

The following Directors will be proposed for re-election in accordance with Article 113

K. J. Morris (Resolution 4a)

S. M. Hornby (Resolution 4b)

P. H. Bagnall (Resolution 4c)

M. D. Field (Resolution 4d)

J. D. Smith (Resolution 4e)

To appoint the Auditors (Resolution 5)

To authorise the Board of Directors to fix the remuneration of the Auditors (Resolution 6)

To transact any other ordinary business

Strand House,
10 New Fetter Lane,
London EC4A 1AD
27th April 1977

By Order of the Board
F. E. P. CHANDLER
Secretary

Notes

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him, and a proxy need not be a member. Holders of Preference shares, Debenture stock and Loan stock are not entitled to attend and vote at the Annual General Meeting unless they also hold Ordinary shares.

The following documents will be available at the Registered Office of the Company on any weekday (except Saturday) during normal business hours and at the London International Press Centre for a period of fifteen minutes prior to the Annual General Meeting and during the meeting:

(a) A statement of all transactions of each Director and of his family interests in each class of the share capital and debentures of the Company.

(b) Copies of contracts of service of the Directors.

